Interview with William P. Stedman Jr.

The Association for Diplomatic Studies and Training Foreign Affairs Oral History Project

AMBASSADOR WILLIAM P. STEDMAN, JR.

Interviewed by: Charles Stuart Kennedy

Initial interview date: February 23, 1989

Q: Mr. Ambassador, could you explain how you became interested in foreign affairs?

STEDMAN: I guess this goes all the way back to my youth. I was born and raised in Baltimore. My father had been a schoolteacher, and went into the insurance business to make enough money to keep us going. He was fascinated with foreign affairs. While in college, he had taken a year off and spent that time in Germany. As a matter of fact, he became very interested himself in pursuing a career as a consul. He never made it, but he inspired us all to be interested in international affairs. He was a great reader, and I can recall, as a kid, being inspired by him to think about the world beyond the United States.

Q: Had you taken any particular courses to prepare yourself or concentrate on international affairs than you might have otherwise?

STEDMAN: Before World War II, when I went to the university, I had thought about taking a shot at the Foreign Service, so I was majored in history and political science. I thought if I didn't get into the Foreign Service, maybe I could go to law school. Then came the war, and with the war, the G.I. Bill, and I had an opportunity to go to the School of Advanced

International Studies, now affiliated with Johns Hopkins University. That gave me a direct concentration on international relations in order to try to get into the Foreign Service.

I also went to George Washington University cram school before taking the Foreign Service written exam.

Q: I take it, then, you passed the Foreign Service exam.

STEDMAN: I passed the written in 1946, the orals in 1947, and got into the Foreign Service in the summer of 1947.

Q: Obviously the people coming in during that era were veterans, for the most part.

STEDMAN: Almost all of them.

Q: How would you describe the background of your class, the people coming in?

STEDMAN: You're quite right that most all of us had been in a military force in one form or another. We were, therefore, I think, fairly serious. Many had taken some time perhaps for a semester or two of graduate school. Many were already married. Several had children. We were all, I would think, motivated toward a career, and we were all believers in public service. I think we thought that the United States, having become a world power, needed a band of public servants to keep this enterprise going, and we were just delighted with the opportunity to be able to serve.

Q: How good was your training coming into the Foreign Service, what we call now the basic officer course?

STEDMAN: As I recall now, the basic officer course was quite good in consular work. I recall it being very practical and very useful. In my case, because I went to Buenos Aires immediately thereafter and was doing consular work, it equipped me very well. I would

say on other facets, perhaps, maybe the domestic dimension of the United States and its social and economic problems, it didn't offer as much as is now being offered.

I think the opportunity to hear from practitioners was good. We had ambassadors and senior officers come talk to us, and we had a lot of interaction with them, too, I think that was really a remarkable period for us. For example, George Kennan came and talked to our graduating class. The informal give and take with the senior officers was very helpful.

Q: Looking over your first couple of assignments as a junior officer going first to Buenos Aires, then San Jose, then Stuttgart, you came in, as did most of your class, having been in the military. Did you find that your experience set you apart from many of your more senior officers in the Foreign Service? Were they looking at a different world? Was there a difference, do you think?

STEDMAN: There may have been, but I must say that as a young person coming in, and with this military service and being a traditionalist from a fairly conservative family, the notion of absorbing impressions and responding to leadership and respecting the hierarchy was pretty deep. Hence, I was more inclined to want to learn from those senior officers who knew the ropes, what their attitudes and what their viewpoints were, and I guess mainly in the early years I was interested in the whole mechanics of being a Foreign Service officer, rather than being a creator or innovator in the policy sense. So I respected their experience and sought to learn from them as a junior person in the ranks of the organization. It seemed to me there was an awful lot to learn.

Q: In a way, we're going to only touch rather lightly on the early part of your career. You ended up as a specialist in Latin American affairs. How did this come about?

STEDMAN: Just before World War II, the United States created a Coordinator for Inter-American Affairs, an Institute for American Affairs, that Nelson Rockefeller set up and was head of. This was in the period when the United States was doing certain things on the international scene, knowing that we were going to be involved more heavily, knowing

that we were going to be in the war, looking toward the Western Hemisphere as an area that we had to understand better and shore up in the event we were involved in war. The coordinator put out a whole lot of material—political, economic, cultural, and social—which filtered into the universities. I just became fascinated with Latin America and the Latin American culture. I took Spanish in college.

So my whole thought pattern then was a mixture of what my father had given me on Foreign Service as a career, and Latin America as a coming area of interest on the part of the United States. I was fortunate enough to be able to continue that after the war, at Hopkins, with Spanish training and some good lectures on Latin America.

Q: Did you have the feeling that your class was getting divided up into specialists without making deliberate choices?

STEDMAN: That's an interesting point, because I think that as I look back on it, while we all believed in being generalists, many of us already had a geographic preference. You've already interviewed some of my colleagues in my class. Bill Brewer was already interested in the Middle East. We had others who were interested in Europe, others who were interested in the Far East, and several of us were interested in Latin America. So there was a kind of geographic interest, and I can't explain exactly why. But it seems to me that we had a devotion to the notion of being generalists. Maybe there was a functional interest but clearly there was great interest in specializing in certain geographic areas.

Q: If you had this interest, did you find that you had some control over where you were directed?

STEDMAN: I don't know whether I was just lucky, or whether it was the system or what, but it seemed to me that most of us who were interested in Latin America were able to stay in Latin America. I can't speak for the others, but I know that if one manifested a real

strong interest and preference, it seemed to me in those days you were able to get pretty much a fair share of your assignments in the areas that you wanted.

Q: I notice that you were in Buenos Aires from 1947 to 1950, in Costa Rica from 1950 to 1952. How did Latin America strike you in those two places, which are somewhat diverse, but also two of the more prosperous areas of Latin America?

STEDMAN: They're so totally different. Argentina has within it the city of Buenos Aires, which is one of the most magnificent cities of the world, a highly European-type city. At the time we were there, they were suffering some shortages because of the war—shortages of electricity, shortages of some manufactured paper-processed items. But by and large, it was a comfortable place to live on the material side.

On the political side, this was the heyday of Per#n and Evita. The atmosphere was distinctly one of hostility toward the United States, and there was a focus on the American Embassy symbolizing their very, very heavy efforts to be independent of, and run counter to, U.S. policy in the hemisphere. This was a period after the Spruille-Braden efforts to try to get the pro-German influence out of Argentine policy.

It was a period when we were trying to move back again into some kind of more diplomatic posture with Argentina. But nonetheless, the hostility from the Per#ns and from Evita more vigorously, in whipping up the crowd anger and hostility toward us, was something that you would feel, something that was manifested in the Argentines tendency to not really want to be very friendly with you, for fear of their own involvement with police and other security forces.

Costa Rica, in contrast, is a small, delightful, rural, totally democratic, open society, very friendly to the United States, singularly not imbued with any kind of inferiority complex with regard to the United States. An individual Costa Rican, an individual American, are able to deal on an even basis, wide open.

As a member of the embassy in Buenos Aires, your level of contact is relatively low in the government or in society. In Costa Rica, the very first week, Ambassador Joe Flack took me to call on the foreign minister. You became friends with the president. You'd know everybody. Our embassy and our mission was so tiny that when you had a get-together, you always had local nationals.

At that point I discovered something that I liked, and continue to like, in my career in Latin America, and that is the intimate involvement on economic and financial development activities. That you couldn't get very much into in Argentina, but when you get into the smaller countries, the United States can be cooperative, one can be involved in focusing on their problems and trying to be helpful. This kind of intense personal association on a cooperative effort to solve problems in countries in the hemispheres is what motivated me to keep on in the region.

Q: Even as a relatively junior officer, were you involved on the economic side in Costa Rica?

STEDMAN: In Costa Rica, I was in the economic office, not that I had any particular graduate training of any depth in the field, but some of the work that one does on trade matters can be done by a generalist. I was reporting on coffee without knowing much about agriculture, reporting on cocoa beans without ever having seen one before, getting into the commercial area, getting into activities such as came upon us when the Korean War broke out and we had to look at the shortages of supply, what materials would Costa Rica need. Then Point Four was announced by President Truman. Our little economic assistance mission was getting bigger, and I was more or less the liaison between the embassy and the Point Four people. That got me into this kind of feeling of “this is where there is some real action to make a contribution,” rather than just simply writing reports and analyzing, which I believe is very vital, but I liked the action and the involvement.

Q: Rather than the more passive being the observer.

STEDMAN: That's right.

Q: I'd like to return to Argentina. You were a brand-new officer in a hostile environment. Who was our ambassador then?

STEDMAN: When I landed there, it was James Bruce, a political appointee from Maryland, brother of David Bruce. James Bruce was a banker, a businessman, had been in a large dairy association, a Democrat, and he was selected as the political appointee to try to do some building of bridges with the Argentine. He tried, but I would say that our policy was not overly successful at the time, because Per#n didn't really want it.

Q: You were doing consular work at that time, but were there any efforts made on the embassy's part to try to breach through this wall of hostility? Were you getting any instructions? Did you and the other officers try to get through to the more democratic groups within the Argentine society?

STEDMAN: In the consular section we were encouraged to do the best we could with those people that we were normally and appropriately going to deal with. We were expected to be able to maintain good contact with people in immigration, in customs, in big shipping companies and the whole maritime field. We were not used as political penetrators as much as we were being used to try to make sure that the level of contact which was appropriate to us was a good one. I must say that doing visas, while that's usually portrayed as a fairly perfunctory and routine service, I met and learned to know many very interesting people with whom I did become very friendly. A case in point, a woman who was on the editorial staff of La Prensa newspaper.

I did do a little political work toward the end of my stay, and I was the biographic data reporting officer. At that time I went around to see this lady that I'd met, when I'd handled her visa case, and she opened up the morgue of La Prensa newspaper to me for my biographic data collection, which was all an above-board operation. This opened a gold

mine to us to go into the files of La Prensa and extract monumental quantities of public information about Argentine figures, which we didn't have other access to. Curiously enough, one day when I was in the morgue copying things out of the file, Per#n's police intervened La Prensa newspaper and shut it down. It was only by five minutes or so that I was able to walk out the door without being apprehended by the police inside the morgue.

Q: That would have been rather embarrassing.

Let's jump ahead. You had a different assignment for a line FSO. You went to Guatemala in 1959 and were there until 1961, and you were an aid program officer.

STEDMAN: Right.

Q: How did that come about, and what were you doing?

STEDMAN: I was in the Department. After Costa Rica, I'd been at Stuttgart, Germany. I was assigned to the Department. Time was coming up for going out, and I really wanted to get some graduate training in economics and return to Latin America. I put in for a program the Department then had of sending officers out for a year at some major university to take graduate training in economics. I was selected.

One day I was invited over to personnel and was told that I would not be going to the year's training in economics; I was one of two FSOs who were going to be assigned to a newly created AIED development programming course at the School of Advanced International Studies, where I'd been some years before.

So in the fall of 1958, for a semester, this course was put on at the school, and there I was. I went out then on full-time loan to AID-Guatemala, starting early in 1959, as an assistant program officer in the AID mission there.

Q: How did you feel about this? There's always a tendency to say that if you're not right in the regular line or regular economic job or regular political job, but you're assigned to USIA or somebody else, you're out of sight, out of mind. Did you feel that way at the time?

STEDMAN: You have a little concern, but I was convinced that this was something that I really wanted to do, and I did enjoy it. I was convinced that somehow or other it would help, and it did. Maybe I was lucky in that regard. You are always a little bit concerned about what your next assignment may be, and that bothers you to some extent. But it really didn't bother me too much.

One of the curious things that it does for you, obviously, is to give you a much better understanding and appreciation of other agencies operating in the field. Whether we like it or not, the Foreign Service used to dominate in the field, and we don't anymore. We have to share it. The better understanding we have of the other agencies, the better off we are as an organization. It also gave me an opportunity to look at our own people, our own staff, and our own functioning as an embassy. You learn some things about yourself, too, about ways that are good, ways to conduct yourself, and ways that aren't so good.

So there's some concern about being out of mainstream. However, inasmuch as it was a major policy precept in the hemisphere for the United States to be involved in economic assistance, it looked to me as though this were a significant activity to be in, and I couldn't be hurt by it. It was not off to the side so much, while it was in another agency, it was within the mainstream of foreign policy concerns.

Q: Could you give an idea of what the economic situation was in Guatemala when you there? What were you doing?

STEDMAN: Guatemala is a country which has perhaps the heaviest percentage of native Indian population maybe in the whole hemisphere, clearly in Central America. This part of the population has chronic problems of health, nutrition, infant mortality, education,

lack of skills. They are not, by and large, in the mainstream of the economy. They are not sharing the economy as heavily geared toward the production export of coffee. The wealthy interests in the country, therefore, at that time were basically the landed interests with large coffee estates. The Indians were providing seasonal labors, Indian primarily living in the highland areas under very, very harsh conditions.

General Ydigoras was president. There were the beginnings of a middle class, the beginnings of a commercial and business class. Tourism was not well developed at the time, and subsequently it was, of course, but at the time the main source of income was coffee. Chronic problems of underdevelopment existed, but the economy was not doing badly at this period.

They had just come through some political turmoil, and the United States was heavily involved in trying to shore up the economy through a series of projects in the agricultural field. There was a large agrarian reform effort that we were involved in.

So the general panorama was one of chronic underdevelopment, some political turmoil, a skewed distribution of land and income, attitudes on the part of the wealthy people generally not very favorably disposed toward helping the poor, a government willing to associate with us. Our focus was helping, but also trying to alleviate some of these burdens of underdevelopment. So there we were with that mixed panorama. But the country was not doing badly at all. This was not a bad period for Guatemala.

What was I doing as assistant program officer? AID was a relatively large activity in Guatemala at the time. It clearly was a major U.S. foreign-policy activity. The tool that the embassy had to employ in the country was our economic assistance program. Therefore, I was involved, as a very junior officer in the program office, trying to set a annual strategy for the development program, trying to monitor specific activities during the year. I was sharing and supporting, rather than leading and directing anything at the level of assistant program officer, but I was pretty heavily involved.

During the course of a year, if a specific loan were to be considered, I would be involved in the writing of the loan, helping negotiate the loan, helping to monitor the implementation of the loan. Annually we would do this whole strategy and concept. We would write budgetary requests. A lot of this we tried to do collaboratively with the Guatemalans. This was not easy, but we tried. We tried, to some extent, to work them into our approach as to what our program should be all about.

So I would say it was a good learning experience for me to learn how AID did its business, to be involved in a junior role, but involved across the board. The AID people treated me extremely well. They took me right in, they made me one of the family, one of the team, and I was involved in everything from the most substantive activities, field trips, and all social activities. Some of our fastest friends are the AID people that we met and worked with in Guatemala.

Q: How effective was the program at that time?

STEDMAN: I like to look at the effectiveness of programs on two levels. If one of the goals is to help the country in a macro-economic sense, to stay afloat, provide foreign exchange, and to show our political support on a macro level, then I would say we did a good job.

On the other hand, at another level, is how significant and how effective were the programs in alleviating the conditions of underdevelopment? There I would say not too effective. These are terribly difficult problems which take an awful long time, a lot of patience, a lot of skill, a lot of flexibility, and in the short period of time, in the short run, our programs could not demonstrate a tremendous amount of success.

Q: Was there a change between how you were operating when the Alliance for Progress came along in Guatemala, a substantive change, or was it more rhetoric?

STEDMAN: The Alliance for Progress, to me, was the golden age of U.S. foreign assistance, at least as I knew it. I was in Mexico after Guatemala, back in the embassy as

the financial reporting officer in the economic section—a wonderful job, by the way—when the Alliance for Progress was announced. The field prospective in Mexico was interesting because Mexico's attitude before the Alliance for Progress was that they could not accept U.S. bilateral assistance, because that was for the smaller, less developed countries. They weren't able to associate themselves with such assistance, because that was not for them.

The Alliance for Progress provided an umbrella, a banner, by which we were able to work collaboratively with the Mexicans, and we did so in the housing field and also in some small industry support activities.

I then went to Washington, where I saw the Alliance for Progress became one of the most imaginative and creative efforts that we had put forth in the foreign assistance field. On the bureaucratic and mechanical side, State and aid were combined on Latin American affairs. This is very significant. In our bureau, we had State officers who were handling economic assistance matters. We had aid officers who were handling political affairs. They were together, they associated, they collaborated, they had a common viewpoint. We weren't divided; we had single goals. Also our assistant secretary, Tom Mann, was the coordinator for the Alliance, and he was also the advisor in the White House on Latin American affairs. So it was all unified and all well coordinated.

Also we had very, very intimate and close working associations with Treasury. I should back up and say that within the Department itself, between E Bureau and ARA, we had good understanding and good working relationships. We were in daily contact and frequent joint sessions and meetings with Treasury.

In the international agency arena, we had intimate associations with IMF people, World Bank, and IDB. Indeed, under the auspices of the OAS, they created an organization called CIAP, a coordinating mechanism for the hemisphere, in which the governments, as well as the government of the United States, and the international agencies came together on a regular basis. Each country would submit its economic plan, its economic proposals,

and these would be all discussed in an open, friendly manner, with give and take. This was the peak of collaborative association for all agencies and governments to work together to solve problems. This is seen largely as bureaucratic mechanisms, but I think it was really much more than rhetoric. There was a very solid effort being made.

I think if you look at assistance on two levels, one, a show of political support, and as trying to keep some countries afloat, we had a lot of successes. However, dealing with the central intractable problems of economic assistance, we had some successes in certain areas, but, again, a long-term persistent cooperative effort was required. Both sides became tired after seven or eight years of joint work, and when the Alliance gradually dissipated, it was with relief on both sides because there was a kind of fatigue about this intense involvement.

So I would say that the Alliance was a monumental, heroic effort on the part of everybody in the hemisphere to try to work together. It lasted sufficiently long to prove that it could work. However, it showed the difficulties of long-term association toward tackling these problems. I'm not sure that we have it, and I'm not sure that the Latins have it, either, - that is to be able to persist in this kind of sense. The intervention in economic affairs is pretty heavy, and not just by the United States. So many countries, after a while, began to resist what they felt was an excess of intrusion into domestic tax policies, policies on agriculture, prices, exchange rate, and so on. So in the end, people wanted to get back their independence and their sovereignty even at the cost of a lowering of this kind of U.S. cooperation.

Q: I've often heard it said that we became so absorbed in Vietnam, that this finished it. But actually there was friction all the time, that little by little was slowing down the enthusiasm of the interest of both parties.

STEDMAN: Yes. A lot of people ascribe the rise and fall of the Alliance for Progress to the change of presidents. There's something to this, but certainly this isn't the total reason. I

think what I described before as the kind of fatigue factor came to bear. But nonetheless, President Kennedy put a heck of a lot of enthusiasm into the Alliance. Some people have cynically said that we created the Alliance for Progress because we were worried about Castro being a model for economic programs in the hemisphere and the way to organize the economy. Be that as it may, Kennedy did put a lot of zeal into the Alliance, a lot of enthusiasm, which was shared by the Latins, as well as by Americans.

President Johnson wanted a much more hardheaded approach and much more practical, solid policies. He looked askance at some of the Latin leaders who tended to be perhaps politically a little too soft toward left-wing activities, in his views. So the political atmosphere modified to some extent. He was much more prepared to go along with and not chastise those leaders who were somewhat toward the right.

Then when President Nixon came along, I guess, the Alliance had run down to the point where even the Latins welcomed what was called a policy of “benign neglect.” People tend to criticize Nixon for inventing this policy, but in effect, it was a policy which the Latins actually welcomed at the time, because they could get themselves unbuckled. But these kinds of policies seemed to fit the personalities of the presidents at the time.

Q: I'd like to move on to when you were in Mexico from 1961 to 1963. Thomas Mann was the ambassador, one of the major figures in North American policy toward Latin America. Obviously you weren't working directly under him, but how did you see his style of operation and his effectiveness?

STEDMAN: Superb! Let me just say that by a curious quirk, I found myself working directly for him. Ambassador Mann arrived and soon felt that what he wanted was to have a small team working with him to analyze the economy of the country, to see where there might be some collaborative efforts. So an aid officer and the assistant agricultural attach#, and I, the three of us, worked daily with Ambassador Mann on making an analysis of the strengths and weaknesses of the economy. We devised a strategy where the U.S. might fit

in, and then began an effort to try to make this work. He was careful, competent, I thought a brilliant analyst, very frank, very open.

I had fascinating experiences. He would have one of us with him when he would meet with Cabinet ministers, which is almost unheard of to have junior officers going in to meet with Mexican Cabinet ministers. We had breakfasts, lunches and dinners, because he wanted to get as much information from them as he could to fit into this economic analysis. He had one of us go along with him.

We, I think, were extremely effective in weaving Mexico into the Alliance for Progress, using Tom Mann's approach and strategy, and getting us involved in a way which I think Mexicans and Americans just couldn't believe possible. At the time he sensed that there was a need to resolve a dispute over territory on the Rio Grande. I was not involved with this; (Embassy officer) Frank Ortiz was. Ambassador Mann is centrally and directly responsible for having resolved one of these major border problems that existed.

So as an ambassador, conducting himself the way he did, I thought he was superb. I was assigned to the Department. He came up subsequently. I saw him several times and worked on two or three things directly with him when he was assistant secretary. Then he moved up to be Under Secretary for Economic Affairs, and his responsibilities there was much broader than the Western Hemisphere. Nonetheless, I used to see him from time to time then, too, particularly a couple of times when the intervention in the Dominican Republic was under way. I saw him a couple of times to talk about that. I think Tom Mann is one of the great figures in this period of our relations with Latin America.

Q: As the financial reporter on Mexico, how did you deal with the Mexican Government? What was their attitude towards us?

STEDMAN: The group of people that I dealt with, both public and private sector, in the banking and finance fields, were highly educated, many of them educated in the United States, with master's degrees, many of them quite competent in English, all of them

confident of themselves and their position within the Mexican bureaucracy or in their business, such that they talked with a degree of openness, friendliness, and candor. Their attitudes were marked by understanding. They may have had somewhere deep inside them some traditional Mexican resentments of the United States, but as far as I found, these were cosmopolitan, world-class, sophisticated financial managers, with whom I was just absolutely fascinated, because we didn't spend time trying to sort out any hang-ups—psychological or sovereignty or anything else.

I must say, sadly, I think a lot of the kind of function that I was engaged in in recent years has been lost by the Department of State and sent over to the Treasury Department. We have now Treasury attach#s performing functions like this in some of the major countries of the hemisphere. But I thought then that these were ideal tasks for the State Department to have a member of the economic section involved. These Mexicans all rose subsequently to become ministers and central bank presidents and Cabinet officers and so on.

One of the curious things—I'm probably digressing—is that amazing institution - the Central Bank of Mexico. It has trained many people in its own institution, and sent a lot off to graduate schools in the United States. It lends its people to various financial ministries and offices. The Central Bank was the spawning ground for a large network. These people know one another and shared professionally and personally their problems and their successes. So if you plug into this network, you're plugged into an amazing coordinating apparatus. At least it was at the time I was there. I suspect in recent years a lot of this has been disturbed mightily by some of the upheavals in the Mexican economic and financial picture. But at that time it was a remarkable experience dealing with these Mexicans.

Q: You came with quite good experience, both financial and on-the-ground aid experience, to Washington to work in the Latin American Bureau as deputy chief of regional economic policy. What did that job consist of? We're talking about the period of 1963 to 1966.

STEDMAN: The Bureau of Inter-American Affairs had had a regional economic policy office for some years, but it had been a little sleepy. It dealt with a few regional problems which, while important, were certainly not major ones. Under Assistant Secretary Ed [Edwin M.] Martin, they brought over into the ARA bureau a fellow named Don Palmer, who had been in the E Bureau. We got a couple of other officers — Joe Silberstein, and Dick Bloomfield. Then we were managing, first of all, the AID program lending portfolios for Brazil, Chile, Colombia, and, to a lesser extent, some budgetary support operations for Panama and later the Dominican Republic.

I can't explain exactly how we got our hands on these portfolios, but we were the dominant force in the negotiation of program loan agreements. These were balance-of-payments transfers to the countries that I mentioned, in return for a set of commitments in macro-economic policy—exchange rate, trade policy, domestic finance, fiscal and monetary policy adjustments. We would provide, say, $100 million, and we would do it in quarterly tranches, and then we would have a quarterly review. We'd go to Colombia or invite the Colombians up, and we would go over their performance.

Q: It sounds like you were acting as bankers.

STEDMAN: We were acting as bankers, and we had some pretty heavy conditions. We were negotiating these out. After a while, if you think about the amount of money involved, I think we had something in the neighborhood of 60% of the aid lending in Latin America in these program loans, because each program loan was a big, big chunk of money. Our little band of people was pretty much managing the policy, the negotiation part of this. We didn't get into the nuts and bolts, we didn't get into the documentation, but we were doing the policy, doing the negotiation. A lot of this is attributed to Doug Palmer and his association with Ed Martin, and later with Tom Mann and Jack Vaughn.

We then began to absorb other economic problems. The distinction between an economic problem and a political problem is often hard to make, so we found ourselves in a pretty

strong, position. I'm not sure that we really intended to go out and do this, but it just happened. The Alliance for Progress fed into this because Doug Palmer knew a lot of people around town in the financial field. We were really a dominant force in handling a significant part of AID operations.

Those were the days, too, when we had in the field in Latin America some two-hatted positions. That is to say, the positions of deputy chief of an aid mission and chief of economic section. I subsequently went out to in Peru to take that position. We had a combined position like that in Colombia, one in Chile, one in Brazil. So there was another thing that we were seeking to do, which I don't think people are trying to do anymore, and that is to develop a corps of specialists on Latin American economic and financial matters, a double-barreled specialization, geographic and functional. We were identifying some young fellows, and we would try to bring them along during this period, get them into key economic positions. So I guess we were getting pretty big for our britches.

Q: With all this power, was this one of these things that sounds like it just grew? You got this power, but was anybody saying, "Okay, now, you can set conditions for the money that is going out. We'd like Chile to be a little more democratic." Were you being pressured by the political side to say, "We want better votes in the UN" or more democracy or something, as opposed to saying, "Let's make sure that the money is well spent"?

STEDMAN: The Alliance for Progress did have a political dimension, and if you read the rhetoric, it did suggest that our main aim was toward democracy and participation on the part of the people, equity, sharing in the fruits of economic progress. I must say that in the management of these particular loans, our heavy concentration was on economic and financial reform in countries.

We did clear all of economic our programs through the political officers in the Department and also in the embassy. Most of the time it was a discussion about how tough some of the economic requirements might be. I don't recall ever having an aim to extract UN votes

from this, but there's no question but what if you're running a particular economic program with sizable benefits for the country, and over here you have a political officer who can point to a legal requirement on a UN vote, he may be able to use that in that sense. But we ourselves were not engaged in trying to push political goals specifically along with the economic program. I regret to say probably we didn't do very much in the field of directly espousing democracy.

Q: Human rights was not at the top of our list at that time.

STEDMAN: No. Probably in most cases, justifiably so, because we were cooperating in most cases—not all—with elected, seemingly democratic governments—the government of Colombia, the government of Chile, both elected governments. In the case of Brazil, there was obviously some problem because we were dealing with military r#gimes, but the military r#gimes were looked upon with some degree of favor because they had brought the country back from what appeared to be a drift toward chaos, perhaps, to extreme radical government. I dare say somewhere on the side there may have been some kind of discussions, but in our economic work, we were not introducing directly the political dimension.

By and large, I think you're correct when you say we didn't have the magnitude of human-rights problems. We might have had a situation where you had a military government, you may have still had inequitable sharing of the economy, you might have not had much participation, but you weren't having massive killings and torturing and kidnappings. That was not commonplace.

Q: The so-called “dirty wars” and all came later on.

STEDMAN: Later on, that's right.

Q: Moving on, you then went to Lima, Peru, from 1966 to 1968 as both an economic officer and a deputy aid mission director. How did that work out?

STEDMAN: It worked out very well. The requirements of the two-hatted position changes with the interests of mission director, ambassador, and the incumbent of that particular combined position. My predecessor, Sid Schmukler, had concentrated on the AID side. He physically was located in that office, which was separate from the embassy, and had done a good job in the inner workings of the AID mission. When I got there, my relationship with the mission director and embassy told me that I need not pay so much attention to the AID function because they had a staff perfectly capable of handling the AID mission. So I concentrated on the economic section side, trying to blend economic analysis of the Embassy and the AID mission. We brought all the economic people from the aid mission into the embassy building and made a combined economic analysis and negotiation section there.

However, my relationship with the mission director was intense and personally very friendly. At the end of each day, after I had finished in the embassy, I would go over at 4:00 or 5:00 in the afternoon to the aid mission, and he and I would review the events of the day from his perspective and my perspective. We would go on and on and on, I helping him, he helping me.

I think my style was completely different from my predecessor's, and I'm sure subsequently it was all different. But in my situation, I felt that I constructed it the way it would be the most useful for us.

Q: What were our concerns and goals in Peru at the time?

STEDMAN: [Fernando] Bela#nde[-Terry] was the elected president. We had had great concern lest he nationalize the International Petroleum Company, a Standard Oil Company of New Jersey subsidiary, which in his electoral campaign he had suggested that he might. We had, therefore, restricted our commitments of economic assistance to him. We then got an opening, and we were told we could go ahead. Our effort was to

negotiate the resumption of a package of economic development projects which we would offer in return for some reforms in their domestic fiscal and monetary policies.

We were hoping to get the country to become more self-sufficient financially, less dependent. We were hoping to open up the economy for commercial and business activity of its own. We were seeking also to open up the trade side of the economy. The whole issue of whether they would tax themselves, or how much they would tax themselves, how much they would do, was a problem because the Congress was dominated by the Aprista Party. Bela#nde could never get any tax measures through. We, for our part, got hung up on some other issues, because the Peruvians wanted to purchase F-5 aircraft. We didn't want them to have F-5 aircraft at that time. They started flirting with the French to buy Mirage aircraft. The IPC thing was still lurking in the background.

Q: IPC?

STEDMAN: The potential nationalization of the Standard Oil Company of New Jersey, which later on the military government expropriated.

Our goal was to help Peru. Our goal was also to get them to help themselves. In retrospect, I think maybe our conditions and requirements were excessive and were not politically realistic. I think that we could have, and should have, been more helpful to Bela#nde and less insistent upon something which probably he couldn't have delivered because he did not have control of the Congress. Bela#nde is a good man, an honest man, and a real democrat. He may be na#ve economically, he might be obsessed with certain road-construction activities, he may not be the most competent manager of all the presidents, but he basically was a good man, a man that we could have gone a long way with.

So we wanted to cooperate, but we had a heck of a time cooperating.

Q: Later on there was a left-wing army coup.

STEDMAN: That's correct.

Q: When did that come about?

STEDMAN: 1968.

Q: Were you there at the time?

STEDMAN: No. I came back to the United States to become the office director for Peru and Ecuador. I think it was in October of 1968 that [Juan] Velasco [Alvarado] came in and knocked off Bela#nde. Then they started their rather curious left radical, semi-populist, semi-statist programs that they imposed for the next several years.

My task in the Department at that time was a rather curious one, because they seized the petroleum assets of the United States' oil company. The Hickenlooper Amendment was still considered to be a viable law. Under it, a six-month clock started to tick. At the end of six months, if they had not taken positive steps toward a negotiated settlement with adequate and fair compensation, the law said we cut off all economic assistance. I believe that the law had never really been tested, and I assumed that it was an honest-to-God law. So we started in this period to try to educate the Peruvians to what was coming down the road.

So I had a task of trying to deal with the military and their embassy here in a period when we knew that we were looking at kind of a guillotine that was threatening them. At the same time, a lot of the members of the Bela#nde Government were fleeing the country and coming to the United States. So I was running a back-door immigration refugee housing operation while dealing with the present government.

Some of those people who left Peru are amazing people. A chap named Pedro Pablo Kuczynski, who is now co-president of First Boston International, was one of the Central Bank fellows who fled at that time. He's now recognized as probably the leading authority

on external debt in the hemisphere. This is the caliber of person that was fleeing at that time.

I might note in this period of my stewardship of the Peru-Ecuador office, there was a change of U.S. Government. We had no assistant secretary for three or four months, we had no place really to take our particular problems to.

Q: You're talking about the change between the Johnson Administration and the Nixon Administration.

STEDMAN: That is correct. Covey Oliver was the assistant secretary, and he left in November or December. We didn't get Charlie Meyer as Assistant Secretary until about February or March. Secretary Rogers had taken over in January. Then in perhaps early February, even before we got Charlie Meyer, Elliot Richardson became the under secretary.

We wanted someplace to pin this Peru problem, because the clock was still ticking. The Hickenlooper thing was going to blow up. The other Latins were all saying, “If you cut off Peru, there will be blood in the streets,” and so on and so forth.

Q: Was Peru that dependent on American assistance?

STEDMAN: I wouldn't say they were that dependent, no, and we never really mounted a major program, but there was a lot of symbolism here—the audacity of the United States formally cutting off a country from its economic program. Then we found that a cut-off might even interrupt commitments that we had made before, which we thought were legally binding. The Peruvians were rattling everybody's cage all around the hemisphere. We had Latins coming in to say, “You can't cut off our brothers.” The Panama Canal thing was still an unresolved matter, and that was always raised. “You better look out for a blockade of the Panama Canal. Blood will run in the streets.” The allusions were getting really out of hand.

Elliot Richardson took us on as a problem-solver, and we had a most fascinating period with him. He said he would take on the problem as our counselor, as our mentor, if we would come up in the evenings, about 5:00, 6:00, every day for a couple of weeks and brief him. He couldn't do it during the day. So we would go up there in the evening, I and a desk officer, would sit with him and his aide. He had his yellow pad and doodled. When we first started, we thought, “My God, this guy will never figure out where Peru is or what this problem is all about.” Then in a week he was asking good questions, and in two weeks, he had this problem pretty much dominated.

Charlie Meyer came on board. We still were looking at that Hickenlooper clock, when they popped up with the idea of having a special negotiator. Jack Irwin, who had done some successful work on Panama a couple of years before, was selected. He came into being, and we were able to begin to work toward some kind of way to ease out of this situation legitimately, rationally, reasonably. So we did.

Q: What was the solution?

STEDMAN: To get past the Hickenlooper Amendment—not that we were trying to get past it, but anyway, the way it was gotten past was the following. Jack Irwin started direct talks with the Peruvians. The Peruvians and we agreed that we would have talks. They would field a team, we would field a team. Jack Irwin was the leader of our team. They had one of their senior officers as the leader of their team. The teams started talks down there, then talks up here, then talks down there, and so on.

This period was kind of ventilating a little bit of the animus that both sides had, and a beginning of efforts to try to find some kind of resolution of the problem. There emerged a couple of threads which warranted the non-application of the Hickenlooper Amendment. There was a willingness to continue to explore possible judicial routes. There was a Peruvian willingness on the part of the Peruvians to continue to explore a possible administrative route toward solution. These steps did not actually fit totally the letter of

the law, but they could be interpreted as being reasonably close. So we could go past the Hickenlooper deadline and see what would happen, with the presumption that if these routes failed, we could still lower the boom.

These decisions were reached in Secretary Rogers' office with Charlie Meyer, John Crimmins, Elliot Richardson, Mr. Nat Samuels, who was Under Secretary for Economic Affairs, and me present. We devised this structure of two threads which would take us past the Hickenlooper. Subsequently, this became known as “the fig leaf,” but nonetheless, this was the means by which we got past the Hickenlooper, with our thought that there was a reasonable chance that something would be worked out. We didn't do this cynically.

Q: In other words, some form of repayment for the expropriated amount.

STEDMAN: Some form of consideration of repayment. We never got close to—well, we got close to numbers, in that they launched a counterclaim that IPC owed them $250 million for damages and so on. The numbers that were floating around were so huge, and probably even IPC was claiming an amount of money which was well beyond that which a reasonable person would have thought fair. So we never got close to a compensation understanding. But it was moving toward a process of consideration by which you might get there.

In lengthen this all out, the issue frittered, dissipated, became a back-burner matter. Two or three years afterwards, James Green from a New York bank, negotiated a financial settlement. Peru put money into a pot, not admitting any guilt, not admitting that they were at fault, and not saying that this was for IPC or for the Grace sugar estates or for anything else. They just put money into a pot and hoped this would resolve it. Then Green and the U.S. took that money and subdivided it among the claimants, so the issue was fully dissolved.

I mention all of this because to me it was a fascinating period to be involved in—that whole Hickenlooper thing, the change in U.S. administration, the difficulties of dealing with the Peruvians. A lot of lessons were learned.

Q: Latin America is often pointed to by those who look at American policy and say that it's really private American commercial interests that drive our policy in almost any case, but often specifically in Latin America. How much did private American interests in Latin America act as an engine for our policy in this period of the sixties and seventies?

STEDMAN: Some. Being a practitioner within the foreign-policy apparatus at the time, I thought that a lot of media and academic criticism along the lines you indicated was very much overstated. I think it's a hangover from the period when it was rampant in the twenties, maybe in the thirties, perhaps even up to the forties. Things like the United Fruit Company dominating countries and deposing presidents, installing Cabinets, setting up their own r#gimes for import tariffs and non-taxation and so on, were all gone by the sixties and seventies. Sure, there were financial, industrial, commercial, and mining investments, which are of significance. But driving policy, I don't think so.

I think driving U.S. policy much more was a broader scheme of how U.S. interests could be served, because U.S. interests also involved in actually seeing the people's participation and sharing in the economy, participating in politics, improve in order to production, one would hope, of a more stable and growing economy. This would lead, therefore, to a more friendly country, and then possibly this would help us in a business sense. But I don't think business, per se, drove us, and I don't think specific investments drove us.

We may have been fundamentally wrong in the notion that economic assistance leads to economic improvement; economic improvements leads to the building of a middle class; the building of a middle class leads to a democracy; the building of democracy leads to stability. All of that is possible, and I kind of hope that it's true. But in many instances it

hasn't turned out to be true. I would still bet on it, and I think that the more logical train is this and not naked support of a business interest or the business interest driving us.

I think it's more this notion that if we associate ourselves with legitimate ways to cooperate in the economic field, we can open up societies to share politically and share economically. That way you will build a healthier nation which should, therefore, be one much more compatible and harmonious with us and our interests. I think that's what has driven us. I think in many instances it still drives many of us, although we don't have all the financial tools to be able to carry that out in recent years.

Q: There was a rather serious earthquake in Peru in June of 1970. Looking over the records, there were some accusations that we withheld helicopter aid and other aid because we were having political problems with the Peruvian Government.

STEDMAN: To the contrary. All I know is that we went overboard, because we thought this was a way to demonstrate that we were interested in the people of Peru, and we brought out all of the best in us. What usually happens in any disaster that I've known anything about, there's always been an accusation that you didn't do enough, you didn't do it fast enough, there's corruption, something got lost, you sent the wrong thing, and so on. That always happens.

We moved as fast as we could. We wanted to move in association with the Peruvians. We wanted the Peruvians to say what they wanted, where they wanted it, when they wanted it. I think we did an absolutely fantastic job of producing all kinds of government help, and our private sector certainly turned out. We even had an aid-finance coordinator for disaster relief in the country, who was in the area. We had a lot of helicopters. I just think that we turned ourselves inside out.

Q: Was Ecuador much of a problem for us?

STEDMAN: Ecuador was a problem of two sorts. One, the United States was engaged in a terrible dispute with Ecuador, along with Chile and Peru, on the 200-mile claims that they had, which interfered with our tuna vessels fishing in those waters. While perhaps the Chileans and the Peruvians were more leading exponents of this rule, the Ecuadorians went along with them, as well. We had many opportunities to meet and deal with the foreign ministry representatives, we had conferences, so this issue overhung the whole relationship with Ecuador.Unfortunately, while I was in this Office of Peru-Ecuador Affairs from 1968 to 1971, the Ecuadorians fired a couple of shots at a U.S. tuna boat in the 200-mile zone. What was worse, it was from a vessel of the Ecuadorian Navy which was on loan from the United States. This incident was a pretty tough one for us, and this was one of the few times, I guess, in my entire career where I have been present when a Secretary of State reamed out a foreign ambassador. Mr. Rogers did a job on the Ecuadorian ambassador, who, incidentally, was a very, very nice, decent man. But that had really nothing to do with it. Rogers really let him have it.

The other level of difficulty with Ecuador, was some financial problems. We were not able to provide too much assistance.

I might make a footnote on Ecuador. I received a phone call one day from Joan Clarke, who was our personnel officer for ARA, as I needed a new Ecuador desk officer. She asked me whether I had any objection to having a woman. I said, “No, I have absolutely no objection. All I want is a competent person here.”

She said, “Well, I'm going to send up Rozanne Ridgway to be your desk officer.” Of course, Rozanne Ridgway is now one of our superstars.

Q: She's had an awful lot to do with fish over the years.

STEDMAN: She became a specialist in that whole fish thing. But a marvelous, marvelous person to come work on this issue. That was on Ecuador. Most of the time I had to spend on Peru.

Q: What happened on the fishing problem?

STEDMAN: Two or three things happened. I guess the main one now is that in a sense, the United States has joined the 200-mile club. I don't pretend to be a specialist in all of the details, but we have relaxed considerably because we, ourselves, have pushed our limits out. Next, a lot of the industry people became tired of this, and many of them, with the U.S. relaxing its firmness on the 200-mile, began buying licenses. We had also a Fishermen's Protective Act, which, for better or worse, reimbursed our fishermen if they got picked up and were in a jam. So all put together, we've massaged this thing almost out of existence, however, it is still true that the tuna is a migratory species, it does go into those waters, it's not static in its habitat, and there is still potential for some kind of problems. But we have reached kind of a modus vivendi which allows us to go on. I suppose Ecuador, in time, has developed some of its own indigenous tuna fishing operations.

Q: You moved from one area to another, still in Washington, American Republics Bureau. You then became country director for Argentina, Paraguay, and Uruguay. This was 1971 to 1973.

STEDMAN: That's after the Senior Seminar. I went to Senior Seminar, then came back and did APU.

Q: This was a rather difficult time, wasn't it, particularly in Uruguay and Argentina, because of the leftist guerrilla movements and the reaction to them.

STEDMAN: Yes. Uruguay was probably a little bit hotter for us, because the Tupamaros had murdered Dan Mitrione, who was a public safety officer in the AID mission. That had happened before I arrived, but while I was there, they had kidnapped an agricultural

specialist whose name escapes me, and they had him. While I was there, he was eventually released. They had also kidnapped the British ambassador in that period. That was the kind of involvement which was going on, and we were concerned, because we could see the light of democracy go out in Uruguay which had always been, along with Costa Rica and perhaps Chile, the place in the hemisphere with a long tradition of democracy.

But our interests in Uruguay are not great commercially or economically. The standard of living was reasonably high. We had minimal aid relationships. Their orientation had been primarily toward Europe. But we were concerned about this eroding of the democratic fabric of society. We were concerned about our own people's safety and security. But the level of our involvement and the level of our influence was not all that great.

In Argentina, when I was doing APU, Per#n returned, the second coming of Juan Per#n. Paraguay was still under Mr. [Alfredo] Stroessner, a stable, nice placid country with sort of stoic people, I guess except when they get terribly aroused.

The Argentine situation was fascinating to watch, not one in which we ourselves were involved. Let me put it this way: one in which we were well advised not to have been involved, either rhetorically or publicly, and we allowed things to occur as they were going to occur in Argentina with Argentines. That is to say, here came Per#n, it was not incumbent on us to say “yea” or “nay” that Per#n should or shouldn't. There was an election and Per#n won. We maintained a careful, discreet, diplomatic relationship. We were not endorsing, we were not opposing; we were just maintaining a traditional diplomatic relationship with him.

Before Per#n came in, there had been military governments. When I came on the desk, General [Alejandro Agust#n] Lanusse was the president of Argentina. In General Lanusse's view, military and intelligence force rule the world. So his relationships were

largely military and intelligence. When Per#n came in, we had the traditional diplomatic relationship, as we watched Argentine political developments.

So I would say that period was one in which we were actively gathering information, analyzing information, but we were not heavily involved, and at least not heavily involved in the way I in my career had been heavily involved in other countries through aid missions.

So that was, to me, an interesting period. U.S. interests were not, I don't think, other than in Uruguay, with the unfolding decline of democracy and the security problem impact on our people, all that major. Also our influence was not all very great in the area.

Q: In your dealings with our embassy in Argentina, was it a matter of having to say, "Cool it, boys. Keep a low profile"? Because in the United States, almost all of us have gotten used to being rather activist, and it's a little hard to just say, "Okay, we're here diplomatically. You do your thing and we're not going to try to cut off aid or play with the military equipment to bring about something."

STEDMAN: Argentina is such a big country. The government apparatus is so huge. We did maintain a fairly active political rapport with a whole variety of political parties, but by and large it was of an acquisition-of-information and exchange of views sort of relationship. I would say that probably spread across all of our operations. That is to say, we wanted to know what was going on, we certainly weren't commenting on what was going on, and we weren't basically involved in what was going on. It's difficult in Argentina to be that involved, anyhow.

In Uruguay, I think apprehensions and fear of personal security were such that we were closing unto ourselves and hunkering down. This was a period when we were beginning the whole buildup of monumental fortresses for embassies, which, I suppose, is necessary. But it certainly is depressing to see this kind of physical structure which seems to have an inhibition on the normal give and take between embassy people and people of

the country. But nonetheless, for good reasons we were building a fortress structure there and hunkering down.

In Paraguay, with some limited assistance we were doing what we could. We've never been all that big in Paraguay because we don't want to be. The atmosphere is not one where you would want to be, recognizing the political difficulties of intimate association with a pretty authoritarian fellow.

Q: How about military sales to Argentina at this time? How did you view this? Were we selling quite a bit? Were we concerned about this?

STEDMAN: I can't remember, to tell you the truth.

Q: Maybe this is indicative. Maybe this was going on sort of on its own. I'm not really sure how big it was.

STEDMAN: I'm not either, to tell you the truth.

Q: We had been a major supplier to the Argentine military, but as far as the desk was concerned, this wasn't a major influence. So whatever was happening was not something to which you had much input.

STEDMAN: At least to the best of my memory, that's right.

Q: I'd like to now come to your assignment as ambassador to Bolivia. How did this come about?

STEDMAN: You mean other than recognition of my brilliance? (Laughs)

Q: Other than recognition of your brilliance, yes. (Laughs)

STEDMAN: My guess would be that I owe a considerable amount to Jack Irwin, with whom I had been associated when he was the special negotiator on the Peruvian problem.

He had subsequently become Under Secretary of State, and my Peruvian desk officer, Alan Flanigan, was a special assistant to the counselor of the Department, so I had two friends, let us put it that way, in the upper reaches of the Department. But I think Jack Irwin probably was responsible. I never have talked to him about it, but that's my presumption. I presume that the recommendation was made, and then it worked its way through.

Curiously enough, I seem to follow a pattern. My immediate predecessor was Ernie Siracusa. Ernie Siracusa had been DCM in Peru before he became ambassador to Bolivia. Before Siracusa, was Doug Henderson, who had been in Lima and then became ambassador to Bolivia. So I thought I was following a pattern of serving in Peru, then going up to Bolivia as ambassador. That would be my guess.

I might say also, these were the days in the bureau when office directors would go out as an ambassador. Desk officers were more important. Office directors were very important. This is before the age of five or six deputy assistant secretaries running around the Latin American Bureau. Office directors really had a position.

Q: You were assigned to Bolivia in 1973. What were our interests there as you saw them?

STEDMAN: To try to keep Bolivia moving economically, to try to keep them politically acceptable, let me put it that way.

To back up a little bit, let me say that the president was a military man. President Banzer had overthrown a previous military government. The previous military government of President Torres had been viewed by us and by the world at large as leading Bolivia toward some kind of radicalization, some kind of extreme possibly Marxist orientation of its economy. When Banzer overthrew him, by and large it was welcomed in the world. Obviously, the government was de facto. There was no functioning Congress, no labor unions really of any significance, political parties more or less existed, but were not really

dominant forces. It was the military that was running the show. But it was considered to have been a good development, because it brought some stability back to the country.

We had assisted them under Siracusa mightily with budgetary support. We were moving away from direct budgetary support toward project assistance, because their economic situation was, in macro terms, actually improving. That is to say, they had some petroleum, and petroleum prices were pretty good. They're a tin producer, and tin prices were pretty good. They had a lot of gas, and gas was being sold at reasonable prices to the Argentines. People were returning to Bolivia. Bolivians were coming back and were bringing some money back. It was looked upon as a good period. So keeping this going was a concern and an interest of ours.

My own particular analysis, my own particular decision, my own particular style was to try to instill in Bolivians a sense of their own capacity to deal with their own problems, to make them feel more independent. This was a good time to try, because they had resources which they were earning. They were not just aid recipients; they were actually earning in international trading.

There's a long history of dependence by Bolivia on the United States economically. There's a long history of intense involvement on the part of the United States through the embassy in the inner workings of the Bolivian Government. In my view this kind of relationship on the political side was very unhealthy. It should not be that the local embassy has a veto on Cabinet nominations within a country; it should not be that way. The government should learn to take the consequences of its poor acts, and credit for its successes. Cooperation was at a high level on those things which were of concern to them and us, but U.S. ought not to be so meddling and so interfering.

I felt that one of the best things we could do in this period was to instill in Bolivians a greater sense of confidence in themselves. I think that they, by and large, welcomed that opportunity and they did a good job.

You mentioned before that activists go out and want to be activists, and policy says throttle back. How do you throttle them back? I've been sort of an activist in the economic side. We were still active economically in a cooperative sense, but I really put the damper on activism in a political sense. Know what's going on, talk to people, talk to all elements, but stay out of the business of trying to determine whether this is a better Cabinet position for this person or another. The temptation is great. Our people frequently found themselves invited to make pronouncements—privately, of course, but to make judgments on prospective Cabinet members.

It's easy to be overly involved politically in Bolivia. It's very easy. Maybe at certain times it's required. At other times where it isn't required, we ought to know enough to be able to back off. This was a period primarily of backing off. So in a remarkable way for that country during my time there, there was the same government, the same president.

Q: Later on it turned into much more of a merry-go-round. I think no government lasted more than a year.

STEDMAN: That's right.

Q: How about Washington? Did you receive any instructions?

STEDMAN: To be perfectly frank, I don't think anybody ever gave me any instructions to do anything. I've thought about this for a long time. I don't recall anybody ever calling me in and saying, “These are our interests and this is what we want you to do.” I think we went out there, I called the guys together, and said, “What are our interests? What do we do?” We sent it back to Washington, and they said, “That's okay, but not so much here, not so much there.” The process of determining interests seemed to be from the bottom up rather than from the top down. We prepared an annual policy plan, whatever we called it, and we would describe these things.

There was also an attitude in Washington during my days of being sort of tired of Bolivia, which had been so dependent. If you have a very good case, some financial help, a loan for some specific project, quite often the reaction around Washington is, “Oh, God, for Bolivia? You've only been down there six months and you've already sold out. My God, you're on the Bolivian bandwagon.” I'd say, “No, this is a legitimate project. Let's do something.”

A case in point. It seemed to me then that we ought to do something about the areas in which coca bush was being produced. It seemed to me that we ought to find some way in certain specific areas, maybe not in the area where there was growing for traditional chewing, but some of the newer areas where you could see the growth and expansion of crop production, maybe somehow we could work an arrangement where we could get them out of that and get them into something else. I knew all the difficulties of this, but I said, “Why don't we try?”

AID wouldn't touch this with a ten-foot pole! “That's political; that's DEA; that's State Department; that's drugs. That's got nothing to do with development. That's not the best area for development.”

So we had one dickens of a time ever enlisting anybody's interest in trying to do something about containing the growth of the coca crop through what I would call a kind of substitute or rational means. We didn't have any possibility of throwing the army or DEA in there, because such operations hadn't come into acceptability at that time. I couldn't get to first base on this thing. I had a terrible time!

Then to my absolute, utter amazement we got this cable saying, “Secretary [Henry] Kissinger is en route to an OAS meeting in Santiago, Chile. He would like to stop over in Bolivia. He will not stop over in La Paz.” I think they fudged this, but I think it was because of the altitude. “He will stop in Santa Cruz. So set up everything for him.” So here comes Kissinger.

So Banzer goes down. President Banzer is from Santa Cruz, so we had meetings in Santa Cruz. In the meetings, either Kissinger with me, or Kissinger with Banzer, or Kissinger with both of us, said something about, “What should the United States be doing here?”

We said, “We ought to be doing something in the drug field, something to do with the coca problem.” So that was sort of the beginning of doing something with the coca crop in Bolivia. So our interests began to shift toward doing something on the narcotics front.

Another dimension arose during my time there, which brought the whole drug thing so forcefully to my attention and to the Department's attention. This was the increasing number of U.S. citizens put in jail on charges of drug trafficking. By the time I left, there were something like 35 U.S. citizens in jail in La Paz, about 15 in Cochabamba, about 20 in Santa Cruz. For many years, Americans had come in to either experiment or get some coca paste and go out, and if they had been apprehended by the police, they were summarily deported. The flood became so great that the police couldn't do this anymore and still maintain any kind of credibility. So they had to start putting people in jail.

The judicial system in Bolivia is archaic, as you can imagine, not only built on the Napoleonic code, but full of corruption and inefficiencies. These folks were in jail for prolonged periods without their cases being brought to any kind of logical or legal solution. In the population we had men and women, young people, older people, some who were experimenters, some who thought it would be fun to come down and see what it was like to find some cocaine in the area of production. We had mules, paid couriers to come down and get a load and bring it back, who would do it just for the payment. Then we had hardened criminals who were trying to set up the networks. We had quite a collection.

So this became a major, major political issue which arose during the time when I was there. Just before I left, I must have been spending fully 50% of my time on this, which is, in essence, a consular protection issue. I visited all the jails, I went to see all the prisoners in jail. We had to get a second consular officer, because the poor devil who was doing the

regular work in the embassy with visas and passports was unable to do this and also look after the prisoners, to the extent that we can look after prisoners.

We got some imaginative procedures going. I think somewhere in the regs it says a Embassy cannot hire a lawyer. We got the Department to issue a waiver. We hired two attorneys. We did not hire them for specific American citizen prisoners; we hired them as advisors to us. Their approach was to force something out of the Bolivian judicial system and force these fellows' lawyers to get moving. That had some modest success. We got some allowances to provide toothpaste, toothbrushes and aspirin tablets for the people in jail.

Finally, we got a treaty negotiated, wherein for the last six months of a prison term you can be transferred back to a jail in the United States and serve out the balance of your term, if we ever got them to the point where they would convict them and give them a term. In the meantime, we were getting visits from parents, and a Committee of Concerned Parents of the Prisoners in Bolivia was formed in Washington. They had a sit-in at the Bolivian desk one evening. They were having testimony on the Hill. This thing lived with me after I left Bolivia, because I had to testify a couple of times and be beaten around the chops by senators in testimony.

Q: There's sort of a double-face on this, that no one is particularly interested at any time —and certainly today they aren't—in people who are engaged in drug trafficking or the users of it. Yet when they're abroad, there seems to be—I won't say undue sympathy, but exaggerated sympathy for the plight of people who are patently breaking the law, particularly in the drug business, which we consider, and always have considered, to be a pretty nasty thing. Did you find yourself caught in this?

STEDMAN: You do find yourself caught, and you find yourself caught in another way, too. We had been attempting to motivate the Bolivians to do a better job of policing their own country with regard to the production, the transport, the manufacturing, the consumption

of drugs. If they picked up somebody and they summarily let them loose, we would go around and chide them on this, that they weren't really vigorous enough. Then when they began to pick up American citizens, the pressure was on us to make sure that the citizen was well taken care of. If you say you only want national treatment, national treatment in a Bolivian jail is pretty horrible. So always we are espousing something better than national treatment.

Then we would get the accusations on the part of our Bolivian interlocutors, “My God, you kept telling us to do something. Now we pick up an American citizen, now you're around here telling us to take it easy.” So we were sort of arguing about this. I think that it was semantic, to a large extent, and could be explained.

We had another lovely example when DEA came on the scene. DEA became fairly prominent in Bolivia when I was there. We finally got a Bolivian deported rather than fully legally extradited—deported to Miami on drug charges for some activities that he'd conducted when he'd been in the United States before. We thought the case was solved and we had the goods on him. The judge let him go, and he was back in Bolivia thumbing his nose at us. So we had this extra complication. Here's a big producing country, and we're having a hard time with U.S. bureaucracy getting anything going. We finally got something unlocked by Secretary Kissinger's visit. Then we had this business of the American citizens in jail.

I tell you, at the end of my time there, the U.S. interest in Bolivia was exclusively in the drug problem.

Q: Henry Kissinger was renowned for having said, at least in his earlier incarnation as a professor, that Latin America is a dagger pointed at the heart of Antarctica, i.e., that Latin America did not play much of a role in his view of world politics. He came at the end of his time as an official, 1976. Did you have the feeling that Henry Kissinger had any interest really in Latin America?

STEDMAN: Not a great deal, no. I don't think he had a great deal of interest in Latin America, and, in general, he probably didn't have a great deal of interest in the "underdeveloped world," so to speak. He did come to it at the end of his term, and he had been worked on real hard to go to a couple of OAS meetings. That may be one of the worst things to take a Secretary to, to interest him in Latin American affairs, because the OAS meetings can be—not always, but can be an interminable set of long-winded speeches. I think that Kissinger's patience with this was very, very thin. So it's conceivable that we got him engaged and also reinforced his disenchantment at the same time.

He really didn't like specialists so much. This whole GLOP thing, global outplacement, was his idea. That is to say, if you'd been specializing in a particular area for a period of time, you ought to get out of there and go learn some other area.

He did rely upon Bill Rogers, and I guess he liked Bill Rogers as assistant secretary. He brought him down there to Santa Cruz. He liked him. I would say he really was not all that much interested in Latin American affairs.

Q: Speaking of the OAS, I see that in 1975, Bolivia fired their ambassador to the OAS for not voting against the United States on a trade reform act. Does that ring any bell with you?

STEDMAN: No.

Q: There was also a to-do about a Bolivian who was a local agent for the Gulf Oil Company. He was arrested for supposedly making illegal contributions to Bolivian officials. Then there were stories about the CIA back in 1966, but it came out on your watch, that the CIA had given $600,000 for a presidential campaign of Barrientos. How did this play when you were there?

STEDMAN: It played badly, but it only played briefly. The Gulf thing was one of these remarkable developments. Somewhere in Washington, I don't know whether it was

congressional testimony or SEC hearings, it came out that Gulf admitted that it had bribed an official of some country somewhere in connection with its operations. When that announcement was made, some countries around the world demanded that Gulf state publicly that it wasn't in their country. So a couple of countries began to get these certifications from Gulf. Well, it wasn't here. It wasn't there. It wasn't the other place. That sort of left Bolivia hanging out to dry. Then they said, “No, we didn't bribe anybody in Bolivia, but we loaned a helicopter, with no hope of ever getting it back to then-President Barrientos.”

This enraged everybody. “How dare you accuse us and our noble leader, Barrientos, who had been killed in that helicopter? How can you do this?” He was an Air Force officer and the Minister of Interior was an Air Force officer. “You can't impugn this man by saying this.” So they took the Bolivian representative of Gulf Oil, who was only a nominal figure, and put him in jail. Then Gulf wanted to communicate with the man. How do you communicate with the man? They'd communicate through us.

I felt it incumbent to do something to help the guy, because I thought this was grossly unfair. So I went over to visit him in jail. Well, this created a bit of a stir. I went to see the minister, who, curiously, was my next-door neighbor. He was furious, no question about it, but it died down after a bit. It died down after a bit because it then came out that the real bribing that had been discussed was Korea, or some other place. So this whole thing then ran down.

CIA involvement with Bolivia was pretty heavy in a previous period. A lot of it might have been associated with Che Guevara and our efforts to get Che Guevara by training of a hunter-killer squad in the Bolivian Army. All of this came and went by the board.

The tendency is for a flare-up and then for it to come back down again. None of it damaged or affected us in any way, I don't think.

Q: Speaking of the CIA, how effective and helpful was this as an operation? Do you care to comment on it?

STEDMAN: My own view is that we should have a strong CIA if for no other reason than to collect information on political activities, groups, which cannot be reasonably penetrated or associated with by our regular political officers in the embassy. There's enough of that action and activity going on in Bolivia that I think it's useful to have a competent staff to make sure that your information is good on what the fringe radical groups are doing. In that sense, I think I was well served when I was there.

Q: How well did you think the post was staffed, also with the military? There is a sort of corridor reputation which waxes and wanes, that ARA is sort of a particular breed of cat and they're not quite up to the Europeanist thing. What's your feeling on this?

STEDMAN: My feeling is that the Europeanists are talking through their hat. (Laughs) First of all, I've always been impressed with the high-quality people that we've attracted in the Latin America circuit. I know full well that corridor gossip is that this is historically a backwater, it's not a central playing field, Europe is where you go to be a political officer, you become an ambassador, and that's a successful career. I think recent years have shown us that we've got to have good people—and we do have them—in Latin America, and that you can have an eminently successful and highly recognized career from this, go on elsewhere, and do other good things. Lots of men who have been ambassadors in the hemisphere have gone on and done great things in their career after leaving the Foreign Service. I think it's a testimony to their competence.

The staffing of our embassy in Bolivia is complicated because it's a hardship post. You're operating at 12,500 feet above sea level. You have to recognize that this has a bearing on the officer, as well as his family. If anybody has any kind of physical weakness at all, you'd want to be very careful of sending him into that altitude. Most healthy people do perfectly fine, but you still have some concern. As a consequence, I would suspect that

occasionally we get somebody who's quite good, who will opt out or wouldn't get himself in line for assignment there.

We have a tendency in Bolivia, generally, to get younger people in senior positions. The political officer, the economic officer, the administrative officer are generally a little younger than you would find at a comparable sized post if you didn't have that altitude hardship. They all do a good job. In fact, they may do a heck of a good job because they're energetic and they know full well that they have an opportunity to show their stuff at a somewhat higher-ranking job.

We have had pressure to cut back senior-officer positions, and I tried one experiment which probably may have worked with one individual, but didn't work subsequently. That is to combine the political and economic sections. I had one chief of the combined section. It seemed to me that we were making some gross mistakes. We would send a political officer into the foreign ministry, and the fellow you talked with there, since they're a relatively small establishment, would want to talk both political and economic subjects, and our fellow would only be able to talk the political side. It seemed to be rather silly. Also it seemed to me that the economic officers ought to know more about the political situation. So the notion of breaking the barrier and bringing them together appealed to me. I did it under pressure, I must admit, to cut back. It worked well with one or two people, but then I think it generally has disintegrated.

So I think we get good people, in general, in the hemisphere. We had a good band of junior folks in La Paz. They're enthusiastic. Probably like most hardship posts, when people leave there, they have established fraternal ties that continue to exist. There's a kind of esprit among people who have served in Bolivia.

Something that I did that I was really quite pleased with was to create a consular agency in Santa Cruz. I never convinced the Department to give us the funding for a regular consular post. We had had a consular post years ago in Cochabamba. That's been closed. But I

got the Department to create a consular agency in Santa Cruz. Thank God I did. We got a marvelous woman, a resident who's married to a Bolivian, who had been a teacher and actively involved in the community, a very competent person, because then we began to have these Americans in jail on drug trafficking charges. We had an airplane crash, which killed an American crew. We had others there with difficulties, and she's just been an absolute marvelous assistant in dealing with these matters. She also takes applications for visas and passports. For this we pay her the princely salary of $3,000 or $4,000 a year!

I must say, too, we've had some awfully good Bolivian nationals on our staff. We don't have a minerals attach# anymore in the embassy in La Paz, but we have a Bolivian local national who is a graduate of an American University, bilingual, very knowledgeable in the mining field, highly respected and regarded within Bolivia and the mining community. I think it's a remarkable thing that we have a local employee of that caliber. That's one of the things we've been fortunate with in that post, is having good local employees, as well.

Q: Were you there when the Carter Administration came in?

STEDMAN: I was. I was also there when President Nixon went out to office and President Ford came into office. Yes, I was there from the change from Ford to Carter.

Q: With the human-rights business, did you have to change gears at all?

STEDMAN: It was too soon. I left in about June or July. It was too soon, although you could tell that something was coming. I must say that there is some kind of belief that we engineered the desire on the part of Bolivia to move toward having elections and democracy and electing presidents and re-establishing the constitution. I can testify personally to President Banzer himself holding these views long before Carter came into office. In fact, President Banzer, in the meeting that we had with Kissinger, was telling Kissinger it was his desire that the country turn to democracy, have a constitution, and

have an elected president. Banzer would like to be the elected president. I heard that in 1975, I think it was, before Carter came in.

In any event, the manifestation did come later on with the interest on the part of Banzer to move toward elections, then three years of incompetent, unsuccessful elections and, as you mentioned, sort of a president for six or eight months, then another man six or eight months. I didn't feel anything when I was there from the new human-rights policy, but you certainly knew that something was coming.

Q: Your final assignment was back in Washington.

STEDMAN: I came back in to be the principal deputy assistant secretary under Terry Todman, who was then the assistant secretary. I stayed on less than a year.

Q: Do you have anything in particular to comment on during that time?

STEDMAN: It was too short, in a way. This is not what motivated me to get out or to retire at that time, but I did think that I could see happening that we were putting every single foreign policy operation through one single lens, which was human rights. As important as human rights is—and I do believe in that—it's not the only optic through which to view conditions and developments in foreign countries. This exclusivity of this one approach only was becoming, I think, overbearing. Our bureau was a heavy focus of it, and I really didn't think that was the proper way to manage the bureau.

One other thing is that I saw a collision between two elements vying for top departmental-level attention or acceptance for decision recommendations. One would be the career apparatus, and the other would be a political appointee in some special assistant role or foreign policy planning role. If you went up to have a meeting at the top level, you were representing the distilled wisdom and knowledge and analysis that had come from an embassy up through. You came in representing all of this. But in reality, you were put into a one-on-one contest, and the odds were that this political chap is going to win. I always

thought this was a rather strange way to make decisions within the Department. I'm stating it in a little bit more direct way than it probably would appear to others, but I thought that the career service and its point of view was getting short shrift.

Q: Can you think of any examples that you were involved in?

STEDMAN: I wouldn't want to offer any specific one, but I would say that, in general, the whole notion of how you view the human-rights issue in Latin America, wherein we were saying, “Human rights, yes, but . . .” and almost exclusively we would get this, “Yeah, that's the only thing.”

Q: This was often from Pat Derian's office.

STEDMAN: Pat Derian's office, yes, and some other folks around.

Q: As usually happens in any administration, this came in with all the zeal of a crusader.

STEDMAN: That's right.

Q: The power was great, but by the end of even the four-year Carter Administration, the edges had been worn off of this particular approach. I was in Korea at the time, and we were getting this. Other realities began to intrude.

STEDMAN: That's right.

Q: Looking back on your career, what would you say was your greatest feeling of accomplishment?

STEDMAN: In a personal sense, I suppose making ambassador is a feeling of great accomplishment. I guess I thought that I was fortunate enough to have had set up a fairly good relationship with U.S. and Bolivia during that time I was there. What does a career officer think if he makes ambassador? He's lucky, but gee, isn't that great?

Q: If a young man or woman came to you today and said, "What about the Foreign Service as a career?" what would you say about it?

STEDMAN: I would preface it first by saying that I was fortunate to have been in the Foreign Service when I was, and enjoyed it mightily. If that's of any benefit to them, that's fine. But the world has changed, conditions have changed. They've got to make some more realistic choices, because terrorism and personal violence is now all the rage. You have blockhouse fortresses to operate out of, you have greater risks for your family, your wife and children. You've got to think about that in much greater detail and much greater sense of proportion than before.

I still probably would say that you ought to think about doing it, that the United States needs good career people. If all you're going to do is give a couple of years shopping around for a career, patching together two here, two there, two the other place, then the Foreign Service is not for you because it should be a career. This is professional business. There are an awful lot of rewards, I think. I would certainly caution them, too, to be realistic in their appraisal of the personnel system, the assignment system, the promotion system, and so on, because from what little I can see and tell on the outside, the organization, unfortunately, isn't run in a way that seems to me to be satisfactory. I don't know all the ins and outs, but forcing out of the service a couple hundred people who have skills in short supply, doesn't make a lot of sense. So there are risks in a career sense, as well, and risks in a professional sense.

I still think there's a fascination there. If people have the fortitude and the courage and they're not looking necessarily to be totally rewarded and fully respected and regarded every step of the way, then take a shot at it. But it's a different ball game than it was when we were there.

Q: Thank you very much.

STEDMAN: My pleasure.

End of interview